

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

SUPPLEMENTARY EXAMINATION PAPER

JULY 2013

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TITLE OF PAPER	:	MARKETING MANAGEMENT
COURSE CODE	:	BA 221 FULL TIME, BA 321 I.D.E.
TIME ALLOWED	:	THREE (3) HOURS

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INSTRUCTIONS :

1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (6)
2. SECTION A IS COMPULSORY
3. ANSWER ANY THREE (3) QUESTIONS IN SECTION B
4. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE INDICATED ALONGSIDE THE QUESTION

NOTE:

MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH, AND FOR ORDERLY AND NEAT PRESENTATION OF WORK. FURTHER MARKS WILL BE AWARDED FOR USE OF RELEVANT EXAMPLES.

SPECIAL REQUIREMENTS: NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO HAS BEEN GRANTED BY THE INVIGILATOR.

SPAIN'S OLIVE GROWERS HIT HARD

Olive oil producer Francisco Nunez de Prado faces disheartening prospects with a drought that could shrivel his harvest this year to half of last year's in Spain's sun drenched Andalucia.

"An olive tree is like a camel," he said. "You don't have to give it much water, but when its thirsty it really has to drink".

Nunez de Prado's estate in the heart of Spain's olive country has been spared to an extent, due to extensive irrigation, but other producers have seen not a single olive grow on their branches.

That has caused prices to spike, with consumers expected to pay more for the "green gold" in coming month as supermarkets jack up prices.

"It's been a drought of biblical proportions, the worst since 1945, 'the year of hunger' for Spain", said Nunez de Prado.

Rainfall at his farm in the shadows of the Sierra Madre mountains was the lowest since that year.

A lean harvest will be another blow for Spain, the eurozone's fourth largest economy, which replaced Greece, Ireland and Portugal this year as the main threat to the euro currency project's survival. From 1943 to 1945, Spain suffered one of its worst, droughts. The drought after Spain emerged from civil war in 1939 ruined crops, dried up the country's then limited reservoirs and forced restrictions on electricity consumption.

Official data from Spain's meteorological institute shows this year has been the second driest in 60 years, after 1994. That has especially hit the arid south in Andalucia, which produces about 80% of the country's olive oil. This week it began to rain heavily in Andalucia, but analysts say that consistent rainfall rather than two days of downpours is needed for the harvest to be much higher than now forecast. New irrigation systems and reservoirs in the country have alleviated the effect of the drought for some producers, but with a harvest expected to be about 800 000 tons, half of a bumper crop last year, prices have rocketed 50% since July. But higher prices provide limited comfort for producers. Wholesale prices have nearly doubled to Euro 2.4 a kilogram from about Euro 1.6 in July.

Edible oils analyst Oil World said prices could well rise further in coming months with sharply reduced world production in 2012-13. Yet the International Olive Council said that the price rise comes after two years of prices being held at low levels and the jump has merely brought prices back to 2009's levels.

"In certain areas of our olive groves we have trees that have not one olive growing," said Francisco Vaoc, a director at the Castillo de Canena olive grove, which his family has owned since 1780.

"We are looking at production of about half of last year's so we are not sure if the price rise will cover our costs". He said that several factors this year, including a particularly cold winter, the drought and the fact that it is normal for a poor harvest, to follow a good one as trees "rest" have combined to create a perfect storm that could lead to bankruptcies among smaller producers. A poor harvest has also not allowed many growers to invest in systems such as better irrigation and pruning to help create a better crop next harvest. "That could mean that we see a bad harvest in 2013 and 2014 too." Vaoc warned. He said the situations will undoubtedly benefit rivals in Greece and Italy, which are important producers of olive oil.

His company sells about 95% of its produce to bulk buyers and 5% as a premium product to high end shops such as Harrod's in London. The silver lining for Spain is the fact that last year's bumper crop has provided a major cushion for the losses felt this year. Spain exports about 800 000 tons of olive oil a year and has about 700 000 tons in stock, covering all its exports and domestic needs. Supermarkets in Spain have yet to reflect the price rises, as producers struggle to convince retailers that costs have risen at their end. But prices will indeed rise, both in Spain and abroad, with exports set to rise further this year.

"Prices are undoubtedly going to rise, but I don't think exporters will raise them a lot as they don't want to cut market growth," said Joaquin Garcia Romanillos, an analyst at Kepler Capital Markets.

"If we see a rise, say from Euro 2 a litre to Euro 3 at home, that would not be a bad thing for the sector either." But a Spanish retail price of less than Euro 2 a litre is below the cost of production. Acesur one of Spain's top producers, based in Andalucia and known for its La Espanola brand, said the big problem is to pass on the effect of the drought to supermarkets and distributors.

Reuters --- Sunday Times, Business and Careers, September 30, 2012

SECTION A

- Q. 1 Demand for olive oil is outpacing supply. What is the cause(s) for the imbalance? (5 marks)
- Q. 2 What negative outcome(s) are as a result of the imbalance. (3 marks)
- Q. 3 What has contributed the most to this imbalance in Spain. (2 marks)
- Q. 4 What remedies have been put in place to mitigate this negative outcome. (5 marks)
- Q. 5 Small producers in Spain will be worse affected in several ways. Discuss. (10 marks)
- Q. 6 In many ways a vicious circle of bad outcomes is on the cards. Illustrate this chain of events. (10 marks)
- Q. 7 The producers in Spain face a dilemma as far as market share is concerned. Discuss. (5 marks)

SECTION B

- Q. 1 The Ansoff's Product – Market Expansion Grid sometimes called the Ansoft Growth – Vector Matrix consists of critical strategies a company must undertake to increase the probability of success. Discuss with examples. (20 marks)
- Q. 2 A Mission statements defines the culture of a company. Discuss the characteristics of a good mission statement. (20 marks)
- Q. 3 Retaining Customers is more cost effective than aggressively capturing new Customers in an effort to make up for lost business. Describe the strategies that a company can employ to retain Customers. (20 marks)
- Q. 4 Most Small Business (SMEs) in Swaziland have similar problems which inhibit their growth. Explain with examples. (20 marks)
- Q. 5 The unique characteristics of services results in very important implications. Discuss with examples. (20 marks)s